BC Oil and Gas Commission

2013/14 – 2015/16 SERVICE PLAN

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BC Oil & Gas COMMISSION

BRITISH COLUMBIA

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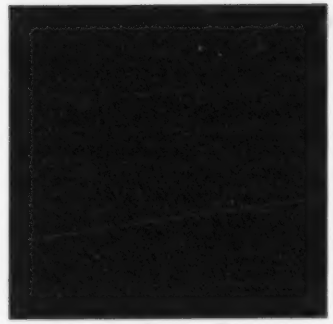

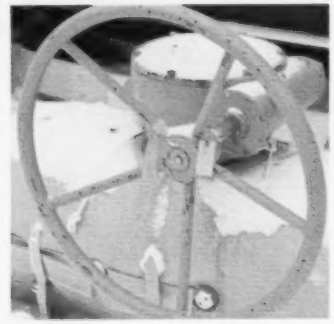

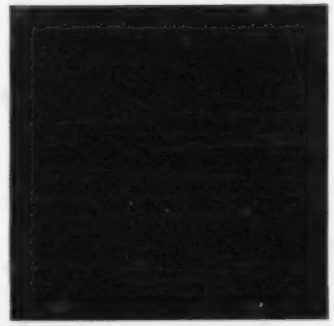

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MESSAGE FROM THE CHAIR TO THE MINISTER OF ENERGY, MINES AND NATURAL GAS

On behalf of the Board of Directors and all employees, I am pleased to present the 2013/14 – 2015/16 Service Plan for the British Columbia Oil and Gas Commission (Commission).

The Commission regulates oil and gas activities for the benefit of British Columbians by protecting public safety, respecting those affected by these activities and balancing environmental protection with the need for resource development. A robust natural gas sector and the emerging opportunities presented by liquefied natural gas (LNG) to the economy are critical to the province's future growth. These opportunities are expected to create over $1 trillion of economic activity over the next 30 years. The Commission's planning focus for 2013/14 will support the provincial Natural Gas Strategy and LNG Strategy. It is imperative the Commission continue its strong regulatory presence and collaborative working initiatives with Government of British Columbia ministries, industry, First Nations and communities.

The Commission's expertise continues to position it at the forefront of oil and gas regulation – with groundbreaking research into seismic activity resulting in new data requirements and an upgraded seismic grid and cutting edge water management through the North East Water Tool that maps out all industry water use approvals compared to actual water availability, ensuring cumulative effects are taken into account and environmental flows are maintained. In addition, there is development of an enhanced compliance and enforcement model that automatically factors in compliance history, the location of the activity and its priority for follow-up.

The Commission is making progress renegotiating Consultation Process Agreements (CPAs) with First Nations. Resources in the form of interim funding will be provided directly to First Nation communities as this work continues on implementation through existing agreements. In addition, there is ongoing relationship building occurring through community engagement and consultation on LNG development.

The Commission's business systems will be moving to electronic permitting and payment, electronic data submissions and an electronic document and records management system. This business transition will provide employee development opportunities and harness the expertise already existing within the organization.

The 2013/14 - 2015/16 Service Plan outlines the strategic priorities of the Commission as it works towards its vision of being the leading oil and gas regulator in Canada. The Commission's single-window regulatory model is being sought out by other jurisdictions nationally and internationally. The performance measures contained in this plan support the strategic direction of the organization and the corresponding targets represent an extensive review of the operating environment, risk analysis and past performance.

This Service Plan was prepared under the direction of the Board of Directors in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with the government's fiscal plan and strategic priorities expressed in the BC Jobs Plan, Natural Gas Strategy, the BC Energy Plan, and the Government's Letter of Expectations. All significant assumptions, events, policy requirements and identified risks, as of [date of release], 2013 have been considered in preparing the plan.

The Board is accountable for the contents of this plan and the way they have been communicated. The Board is also responsible for ensuring corporate performance is measured and results are reported accurately and in a timely fashion.

Steve Carr, Board Chair
BC Oil and Gas Commission

ORGANIZATIONAL OVERVIEW

The British Columbia Oil and Gas Commission's (Commission) mandate is set out in legislation through the *Oil and Gas Activities Act* (OGAA) and that legislative mandate is reflected in the organization's Mission statement. The Commission is the provincial, single-window regulatory agency with responsibilities for regulating oil and gas activities in British Columbia, including exploration, development, pipeline transportation and reclamation. The Commission's core roles include reviewing and assessing applications for industry activity, consulting with First Nations, ensuring industry complies with provincial legislation and partnering with other responsible agencies. The public interest is served through protecting public safety, conserving the environment and ensuring equitable access to oil and gas resources. To view this enabling legislation, visit the Commission's website at www.bcogc.ca.

Since its inception as a service delivery Crown corporation, the Commission has served the public interest by administering a single-window model for permitting oil and gas exploration and development, and for ensuring operators' compliance with applicable regulations. This model has put B.C. in a favourable position and has supported effective and efficient regulatory processes. The single-window approach was strengthened by the OGAA, which updated and consolidated various Acts and regulations, while continuing the Commission's regulatory authority with respect to oil and gas activities under the *Environmental Management Act*, *Land Act*, *Water Act*, *Heritage Conservation Act*, and *Forest Act*.

As a regulator, the Commission considers and takes into account the diverse interests of First Nations, and multiple stakeholder groups. The Commission has developed long-term relationships with northeastern B.C. First Nations and continues to interface and build strong ties with First Nations communities in all areas of the province where oil and gas activities take place, or are contemplated. Numerous delegated authorities, working agreements and memoranda of understanding form the basis for representing the interests of partner government agencies, along with work on major government interagency teams. The Commission is proud of its open relationship with industry, based on mutual respect and responsiveness. With diverse oil and gas projects proposed throughout the province, the Commission looks to expand First Nations, rights holders and community relations and outreach beyond northeastern B.C., the traditional area of oil and gas activity.

The Commission recognizes its employees as a principal stakeholder group and is committed to supporting their continuous professional development and to providing a healthy work environment. Employees operate out of five locations – Victoria, Fort St. John, Dawson Creek, Fort Nelson and Kelowna, with the largest number of staff concentrated in Fort St. John and Victoria. The offices in Fort Nelson and Dawson Creek ensure the Commission's presence in communities of the Horn River Basin and Montney gas plays respectively. The areas of primary oil and gas activities are shown in Figure 1 along with the Commission's office locations.

Mission

We regulate oil and gas activities for the benefit of British Columbians.

We achieve this by:

- Protecting public safety,
- Respecting those affected by oil and gas activities,
- Conserving the environment, and
- Supporting resource development.

Through the active engagement of our stakeholders and partners, we provide fair and timely decisions within our regulatory framework.

We support opportunities for employee growth, recognize individual and group contributions, demonstrate accountability at all levels, and instill pride and confidence in our organization.

We serve with a passion for excellence.

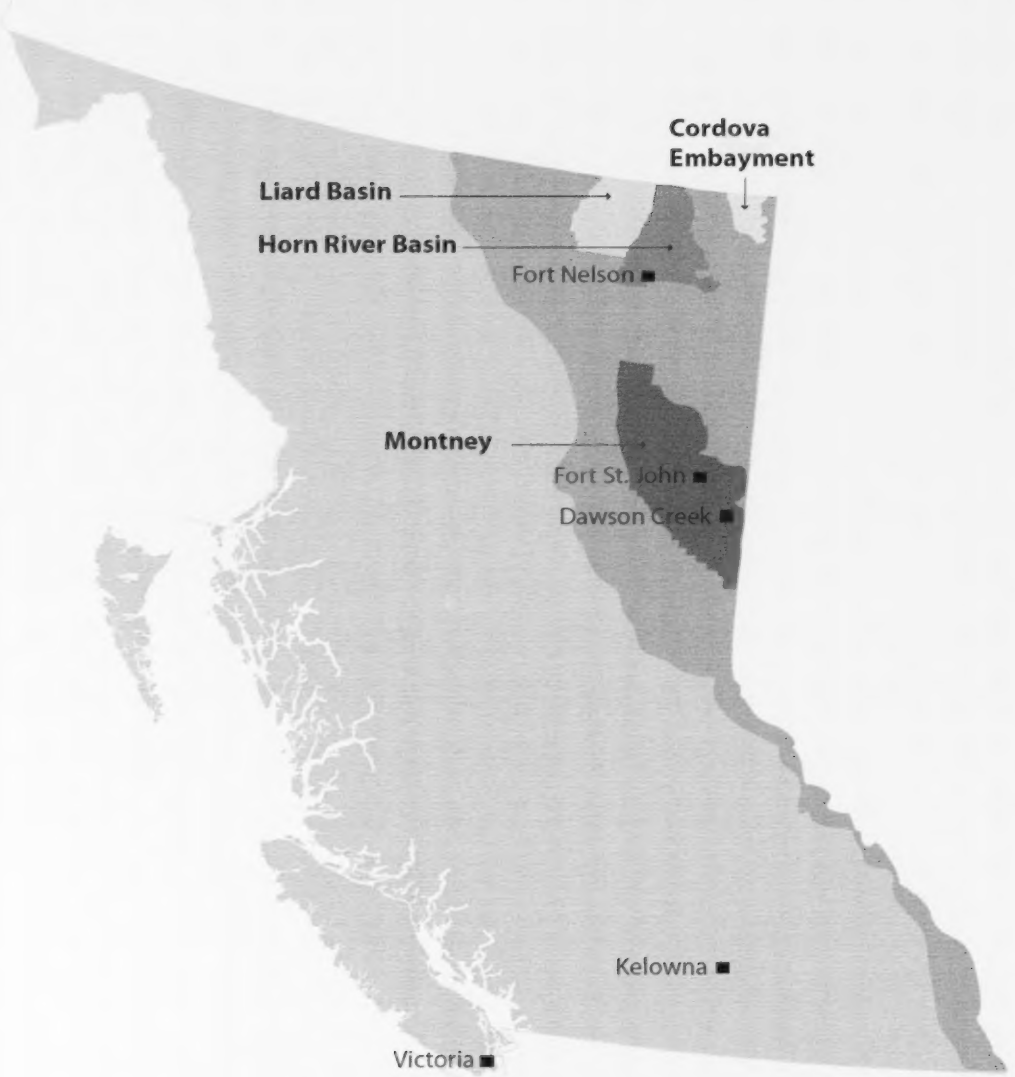
Vision

To be the leading oil and gas regulator in Canada.

Values

Respectful	Efficient
Accountable	Responsive
Effective	Transparent

Figure 1: Major oil and gas basins and Commission office locations



COMMISSION MANDATE

Section 4 of the *Oil and Gas Activities Act*

The purposes of the Commission include the following:

(a) to regulate oil and gas activities and pipelines in British Columbia in a manner that:

  (i) provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well being;

  (ii) conserves petroleum and natural gas resources;

  (iii) ensures safe and efficient practices; and,

  (iv) assists owners of petroleum and natural gas resources to participate equitably in the production of shared pools of petroleum and natural gas.

(b) to provide for effective and efficient processes for the review of applications for permits and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects;

(c) to encourage the participation of First Nations and Aboriginal peoples in processes affecting them;

(d) to participate in planning processes;

(e) to undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the Commission.

COMMISSION CORE SERVICES

Review, assessment and determination of oil and gas applications for permits or authorizations under Commission jurisdiction related but not limited to:

- Wells.
- Pipelines.
- Geophysical activities.
- Access roads.
- LNG Plants and other facilities.

Corporate services related to asset transfers, amalgamations, and Crown Land surface tenure.

Assurance of industry compliance with applicable laws and regulations and permit-specific requirements through inspection, enforcement and incident investigation activities.

Resource conservation and production monitoring and measurement.

Consultation and information sharing with First Nations on oil and gas activities.

Liaison with other provincial and federal government agencies in ensuring effective delivery of government policy, improved regulatory climate and cohesive application of existing regulations.

Community and landowner support through education, public engagement, mediation and dispute resolution.

CORE SERVICES AND ORGANIZATIONAL STRUCTURE

The Commission is made up of four Divisions, designed to meet its legislative mandate and the operational realities inherent in regulating the oil and gas industry. These include the Office of the Commissioner; Operations; Engineering; and, Corporate Services. Statutory decision-making authority is vested in the Commissioner who also serves as the Chief Executive Officer. The Commissioner delegates decision-making authority to staff members in Operations and Engineering led respectively by the Chief Operating Officer and Chief Engineer. Regulatory specialists led by the General Counsel and Corporate Secretary provide support by interpreting regulations and ensuring consistency and effectiveness of the regulatory framework. A Corporate Services division under the Chief Financial Officer provides financial, information technology, human resource management, facilities and corporate property administration for the entire organization. The specific departments and the core responsibilities of each Division are described in the table on the next page.

In addition to core services, the Commission provides a support role in the implementation of the independently managed Science and Community Environmental Knowledge (SCEK) Fund, which supports and facilitates research concerning practical ways of addressing environmental issues related to oil and gas exploration and development in British Columbia.

The Commission is also responsible for the Orphan Site Reclamation Fund (OSRF), established in 2006, which is funded through a tax on production. The Fund is used to pay the cost of reclaiming abandoned well sites, test holes, production facilities and pipelines for which the responsible owner cannot be identified or who has ceased to exist. Priority is given to orphan sites on private land to alleviate the burden on the landowners who are unable to use the land.

CORE SERVICES AND ORGANIZATIONAL STRUCTURE

Commission Divisions, Departments And Core Functions

OFFICE OF THE COMMISSIONER

Legal & Regulatory	Legal Services Regulatory Initiatives Regulatory Support	Integrated Risk Management Corporate Governance Internal Audit
Corporate Affairs	Internal & External Communications Government Relations Strategic & Business Planning Corporate Reporting	
Executive Coordination	Executive Administrative Support Correspondence Management	Event Planning

ENGINEERING

Drilling and Production	Public Reporting Well Integrity Programs Standards and Technical Requirements Programs	Operations Support Data Collection
Pipelines and Facilities	Pipeline Application Engineering Review Pipeline Permit Revision and Amendment Facility Application Review and Determination Facility Permit Revision and Amendment Integrity Management Program Audit (pipeline) Integrity Management (facility) As-built Audit and Review Operations and Industry Technical Support Public Reporting Standards and Technical Requirements Programs	
Field Engineering and Technical Investigations	Engineering Failure Investigation Technical Support to the Legal and Regulatory Department Public Reporting and Inter-Agency Collaboration Compliance & Enforcement Support to Operations Engineering Staff technical training Asset Integrity and Retirement	
Reservoir Engineering	Reservoir Production Project Approval and Amendment Deep Disposal Well Approval and Compliance Hydrocarbon Reserves Calculation and Publication Well Completion Data and Compliance Well Testing Program Production Allowable Program	

OPERATIONS

Permitting and Authorizations	Application Screening and Processing Regional Operations Project Level First Nations Consultations First Nations Relations Archaeology Corporate Land Management Oil and Gas Tenure and Asset Management	
Community Relations	Community Relations Landowner Support	
Operations Engineering	Compliance & Enforcement Waste Management and Reclamation Site Reclamation and Remediation Emergency Management and Public Safety Occupational Health and Safety	
Resource Development & Geology	Petroleum Geology Stewardship	Area Based Analysis Major Projects

CORPORATE SERVICES

Finance & Administration	Financial Planning & Accounting Corporate Property & Administration Records Management Core Research Centre Management	
Human Resources and Organizational Development	Recruitment Payroll & Benefits Employee Engagement Strategic Workforce Planning Employee Performance Management Collective Bargaining and Labour Relations	Workplace Wellness Learning and Development Leadership Effectiveness
Information Technology	Information Technology & Infrastructure Business and Information Systems Web Development Geographic Information Systems	
Operations Analysis	Business Intelligence Process Improvement & Documentation	

BOARD OF DIRECTORS

Steve Carr, Deputy Minister,
Ministry of Energy, Mines and Natural Gas (Chair)
Paul Jeakins, Commissioner & CEO,
BC Oil & Gas Commission (Vice Chair)
John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council

AUDIT COMMITTEE

Responsible for financial reporting and disclosure, risk management, and compliance with applicable laws, regulations and government policy.
Arn van Iersel, Board Consultant and Chair of the Audit Committee
Doug Wilkes, Board Consultant
Al Hurd, Board Consultant

HUMAN RESOURCES COMMITTEE

Responsible for executive appointment, performance, succession and compensation, and for trade union negotiations and compensation structure.
John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council (Chair)
Doug Wilkes, Board Consultant
Al Hurd, Board Consultant

REGULATORY COMMITTEE

Responsible for legislation and regulation matters, policies, procedures and systems appropriate for an effective regulatory framework.
Cliff Proudfoot, Board Consultant and Chair of the Regulatory Committee
Paul Jeakins, Commissioner and CEO, BC Oil and Gas Commission
Neal Norman, Board Consultant

EXECUTIVE TEAM MEMBERS

Paul Jeakins, Commissioner & CEO
Ken Paulson, Chief Operating Officer
Randall Smith, Chief Financial Officer
Mayka Kennedy, Chief Engineer
Trevor Swan, General Counsel and Corporate Secretary

CORPORATE GOVERNANCE

A Board of Directors governs the Commission through setting the strategic direction, ensuring organizational performance is in line with strategic priorities, and establishing appropriate accountability and transparency mechanisms. Under the OGAA, the Deputy Minister of Energy, Mines and Natural Gas is Board Chair, the Commissioner is Vice Chair, and a third independent member is appointed by the Lieutenant Governor in Council. The Board approves the Commission's budget, Service Plan, and Annual Service Plan Report. Under the OGAA, the Board has the powers to make regulations respecting aspects of carrying out oil and gas activities. Governance principles and practices are described in the Board's Mandate and Charter and are disclosed on the Commission website at www.bcogc.ca.

Responding to the governance renewal call in the Government's Letter of Expectations, the level of communications, engagement and reporting between the Board and management will continue to be enhanced in the coming year. Assisted by a group of expert consultants, the Board factors corporate risks into the strategic planning process. Integrating risk management and strategic planning ensures the Commission's long term objectives take into consideration the direction from government, stakeholder needs, and optimal resource allocation. The board consultants further contribute to the governance renewal initiative by serving on the board committees.

The Commission's governance policies and practices comply with the Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations (Best Practice Guidelines) February 2005 issued by the Board Resourcing and Development Office (BRDO). The Commission's accountability framework is consistent with the accountability requirements established for provincial Crown corporations. Its policy direction is derived from the Government's Letter of Expectations and is aligned with government's strategic priorities. Accountability is delivered through three-year service plans issued every year, quarterly reports on financial performance, and the Annual Service Plan Report summarizing achievements during the year and comparing performance results to service plan targets. Strategy implementation and management of day-to-day operations are the responsibility of the Commissioner, the executive and the senior leadership team.

STRATEGIC CONTEXT

The Commission's strategy is derived from its external operating environment, its legislated mandate and its mission, vision and values. The elements of the external operating environment with greatest influence on the Commission are developments in the oil and gas sector, First Nations involvement in resource management, multiple stakeholder interests and provincial direction.

Oil and gas activity is an important component of British Columbia's economy. The northeast region of the province is part of the Western Canadian Sedimentary Basin, which extends from Alberta into the Northwest Territories. British Columbia ranks second only to Alberta in natural gas production in Canada. Currently, British Columbia's natural gas production is 1.1 trillion cubic feet (Tcf) of marketable natural gas per year. Established hydrocarbon reserves continue to increase, with shale gas reserves in particular signifying a large potential for further development.

The continued natural gas production growth in the province is largely due to development of shale and tight gas in northeast British Columbia, with the vast majority of wells drilled targeting unconventional formations.

Responding to the complex and often competing economic, environmental and social priorities driving the oil and gas industry, the Commission maintains a modern regulatory framework and proactively looks for innovative solutions for continued safe and sustainable oil and gas development in the province. In accordance with its mandate, the Commission strives to deliver fair and timely decisions on proposed projects, balancing firm oversight of operational safety and First Nations' rights.

It is of key strategic importance for the Commission to stay fully apprised of the latest technological breakthroughs, and independent world-wide scientific research on the possible industry effects on human health, social structures, climate, environmental and cultural values. The Commission will continue to deepen and share its knowledge of B.C.'s hydrocarbon resources and the local effects of oil and gas development so that informed decisions can be made in the best interests of all British Columbians.

The Commission's strategy is aligned with provincial social and economic priorities and Government's Natural Gas and Liquefied Natural Gas (LNG) Strategies. As a responsible and accountable regulator, the Commission will fulfill its oversight role with respect to natural gas and LNG development by strengthening its internal capacity to provide expert and timely services to industry and to the numerous stakeholders whose interests the Commission represents in the regulatory process. A strong organizational capacity also ensures thorough oversight of permitted activities to guard public safety.

Provincial direction is derived from the Government's Letter of Expectations, which is an agreement between the Commission and its sole shareholder, the Government of British Columbia, on corporate mandate, strategic priorities, and performance expectations. The Government's Letter of Expectations ensures alignment of the Commission's activities with overarching provincial goals and provides specific directions to the Commission. This includes adherence to government's requirement to be carbon neutral under the *Greenhouse Gas Reductions Targets Act* and implementing aggressive measures to achieve that. It is reviewed annually and is the basis for the preparation of the Service Plan. The most recent Letter can be viewed on the Commission's website at www.bcogc.ca.

The most significant factors influencing the Commission's operating environment are discussed as "Drivers" having the potential to create risks and opportunities for achieving the strategic and operational objectives of the organization and to influence performance outcomes. Also discussed are actions through which the Commission plans to mitigate, manage and, in some cases, take advantage of such risks and opportunities.

STRATEGIC CONTEXT

GOVERNMENT'S LETTER OF EXPECTATIONS FOR 2013/14

SPECIFIC GOVERNMENT DIRECTION	PLANNED ACTIONS
• Continue to advance the governance renewal initiative, including proposals to the Ministry of Energy, Mines and Natural Gas for any legislative changes, to enable the implementation of modern and robust governance structure and governance practices.	The Board of Directors steers governance renewal by providing direction on strategic objectives and monitoring performance against these objectives. The Commission leadership ensures clear governance processes reinforcing accountability at all levels of the organization.
• Continue to develop and improve operational regulations to ensure British Columbia maintains a safe, effective and competitive regulatory framework.	The Commission follows a systematic approach for identifying issues in the oil and gas regulatory framework and for improving the effectiveness and efficiency of oil and gas regulations. A number of regulatory changes are identified, assessed and, if feasible, implemented every year. (For more information, see the Regulatory Trends driver and Strategic Objective #1).
• Operate the Commission in a cost-effective manner consistent with the government's austerity approach.	Resourcing for new functions may only be necessary for critical operational positions related to major projects. The implementation of business improvements will be through staff and process efficiencies, skills development, workforce planning and innovative solutions. Discretionary spending for travel, professional contracts, training and development is constrained and is carefully directed to services and initiatives where most value is created, in line with the corporate strategy. The Commission's funding model and legislated 'no-deficit' requirement ensures that Commission operational expenses and capital spending do not exceed the revenues generated through application fees and levies on production.

STRATEGIC CONTEXT

GOVERNMENT'S LETTER OF EXPECTATIONS FOR 2013/14

SPECIFIC GOVERNMENT DIRECTION	PLANNED ACTIONS
• Collaborate with other government agencies, professional organizations and learning centers to ensure a coordinated and value-based approach to natural resource development and management.	The Commission extensively collaborates with and seeks input into its strategy from provincial ministries and partner agencies such as the Ministry of Energy, Mines and Natural Gas, Ministry of Environment, Ministry of Forests, Lands and Natural Resource Operations, Ministry of Aboriginal Relations and Reconciliation (MARR), the Agricultural Land Commission, Environmental Assessment Office, BC Safety Authority and many others. The Commission is an active participant on the inter-agency working group for the Cumulative Effects Assessment and Management Framework. The Area-Based Analysis approach is being developed by the Commission and seeks to improve statutory decisions with respect to the subsurface resource with a thorough consideration of related surface rights and resource values. As a result, planning and operating protocols will be developed for each area of existing or potential oil and gas activities.
• Support the BC Jobs Plan, British Columbia's Natural Gas Strategy and the Liquefied Natural Gas (LNG) Strategy and the specific actions pertaining to the Commission.	The Commission strategy described in this Service Plan sets concrete objectives and actions in support of the provincial Natural Gas Strategy and the LNG Strategy. Specifically, see the strategic drivers on North American and Global Natural Gas Markets, Natural Gas Strategy and LNG Strategy and Major Projects. Strategic Objective #5, Optimize the Commission's Expertise and Processes Pertaining to the Regulation of LNG and Associated Major Projects, directly supports the provincial strategies.
• Support the development of the northeast BC Shale Gas Hydraulic Fracturing Water Strategy identified within the Natural Gas Strategy and cooperate with Government in the refinement and delivery of the Province's regulatory programs for the management and allocation of water resources.	See specific actions under the Regulatory Trends and Stewardship strategic drivers.

STRATEGIC CONTEXT

DRIVER – NORTH AMERICAN AND GLOBAL NATURAL GAS MARKETS

POTENTIAL INFLUENCE

The increasing viability of resource extraction through technological advancements has resulted in an abundance of natural gas available to the North American market. With demand staying relatively stable, the production of these considerable and accessible hydrocarbon reserves continues to depress the commodity price of natural gas.

Significant hydrocarbon reserve discoveries in the United States will eventually lead to diminishing imports from Canada. In this saturated market, large companies operating in both Canada and the U.S. are looking to new overseas markets to maintain or increase production.

Internationally, growing economies such as China, Korea, Japan and India have seen demand for natural gas increase. With the average price for 1,000 cubic feet of natural gas still under $4 in North America – versus $16 in Asia - Asian markets represent an opportunity for the B.C. natural gas sector. To capture that opportunity, the province is looking to develop a new industry for LNG which makes overseas transportation possible.

Unless an outlet for B.C. natural gas is found either domestically or through overseas exports, natural gas production in the province will shrink causing a significant loss of economic activity, jobs and revenue to the province. For the Commission, this will mean reduced funding and decreasing capacity to effectively regulate the existing oil and gas infrastructure.

PLANNED ACTIONS

These conditions have been influencing the Commission for the last two to three years. There are a number of actions that have been initiated in previous service plans and will continue throughout the period of this plan:

- Closely monitor North American and global supply and demand patterns and forecasts, and evaluate potential impacts on Commission business lines.
- Increase the efficiency of the permitting processes to ensure B.C. is an attractive oil and gas investment jurisdiction.
- Monitor other oil and gas jurisdictions for best practices and lessons learned.
- Implement best practices and policies.
- Optimize organizational structure and workforce to respond effectively to changes in the operating environment.

STRATEGIC CONTEXT

DRIVER – PROVINCIAL STRATEGIES FOR NATURAL GAS AND LNG

POTENTIAL INFLUENCE	PLANNED ACTIONS
Building on the foundation of the BC Jobs Plan, in February 2012 the province released its Natural Gas Strategy supplemented by a strategy for Liquefied Natural Gas as the newest industry in B.C. envisioning LNG exports to global markets by 2020. LNG is natural gas cooled down to -160 degrees Celsius. At this point the gas is in liquid state and takes 600 times less space for storing and shipping. While the Commission currently regulates two operating LNG storage facilities, the proposed liquefaction processing will take place at complex LNG facilities combined next to export terminals. Shipping is through special LNG tankers. At this time there are several proposals in their planning stage for such LNG facilities on the B.C. coast. Pipelines are also proposed to supply gas to the LNG facilities from the rich northeastern B.C. plays. The Commission is currently assessing applications for various aspects and segments of these pipelines. The size and complexity of these LNG projects requires strong collaboration with other federal and provincial agencies. New and expanded workforce competencies and updates to applicable regulations will assist the Commission in meeting its mandate for LNG development. LNG facilities and pipelines development are time sensitive if B.C. is to win a share in the world LNG market.	Continue to coordinate permitting with other responsible agencies, including opportunities for optimizing the single-window regulatory model for the efficient and effective review of applications and oversight of permitted LNG facilities and associated major projects. Thoroughly review all applicable laws, regulations and authorities and address any identified issues to ensure the regulatory framework is comprehensive and upholds high standards for public safety and environmental protection. Continue to develop recognized professional and technical expertise and processes for effectively regulating LNG facilities and associated major projects. See more actions under Major Projects and Organizational Capacity.

DRIVER - MAJOR PROJECTS

POTENTIAL INFLUENCE

The abundance of natural gas in B.C.'s north and the province's geographic location have prompted proposals for major development projects throughout B.C. For the most part, these projects involve the transporting, processing, and exporting of oil and gas resources.

A proposed activity is designated a major project if it satisfies some or all of the following criteria:

- Requires jurisdictional coordination.
- The proponent is new to upstream development.
- Is of considerable size and duration.
- Is located within First Nations traditional territory outside of northeastern B.C.
- Necessitates cross divisional participation by a variety of experts within the Commission.
- Is a new type of activity, within the Commission mandate.

The Pacific Trail Pipeline, the Kitimat LNG and the Vancouver Airport Fuel Delivery Project are current major projects of the Commission and will be reviewed during this fiscal year.

Major projects span the entire province and their scope results in heightened interface with First Nations, rights holders and other stakeholders. These major projects are often reviewed concurrently with the Environmental Assessment Office (EAO) and are always required to satisfy environmental and public safety standards.

LNG facilities and associated pipelines mentioned above in the LNG strategy driver represent major projects that are expected to be in the regulatory spotlight for the next five to seven years. By regulating these projects, the Commission supports a unique opportunity for the province while simultaneously managing numerous risks stemming from the development of a new industry.

PLANNED ACTIONS

Continue the Commission's information outreach and service delivery throughout the province to ensure First Nations, landowners, rights holders, and all those affected by oil and gas activities understand the opportunities to participate in regulatory processes.

Continue to seek early collaboration with partner agencies to drive efficient and effective joint federal/provincial reviews where necessary.

Proactively consult with First Nations whose traditional territories may be affected by proposed major projects.

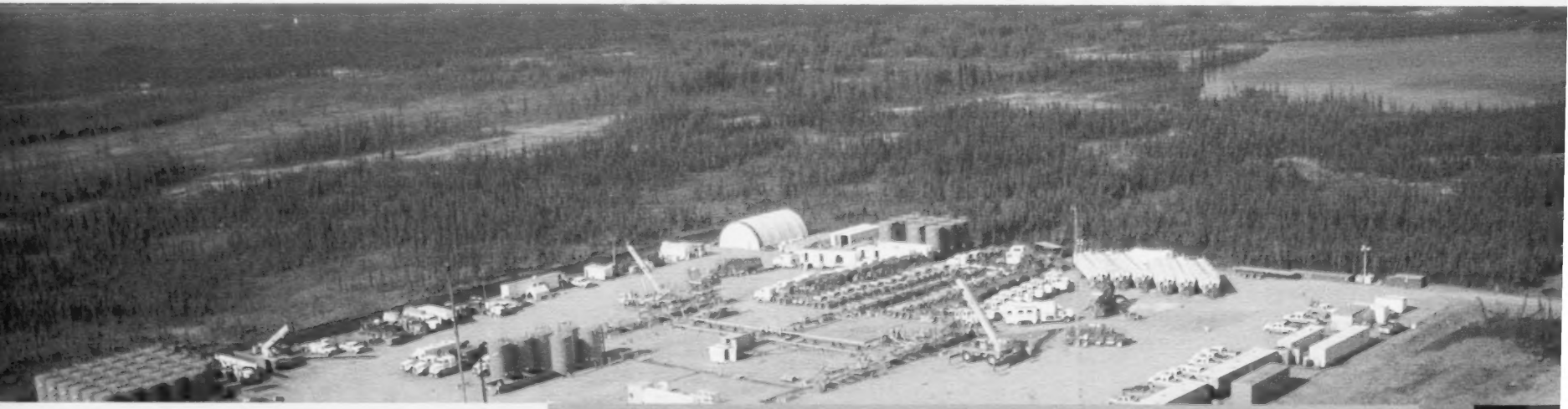
Clearly identify and pursue the knowledge, skills, competencies and organizational structure to effectively regulate these projects.

Build and apply Commission knowledge and experience for the regulatory lifecycle of LNG facilities and associated major infrastructure projects.

STRATEGIC CONTEXT

DRIVER - ORGANIZATIONAL CAPACITY

POTENTIAL INFLUENCE	PLANNED ACTIONS
Organizational capacity remains a key strategic driver for the Commission. To maintain long-term strategic focus, the Commission needs a highly professional and adaptable workforce, and modern business systems and infrastructure.	Remain focused on developing organizational capacity through learning and development, workforce planning and employee engagement strategies.
The rising complexity of development applications, the fast pace of technological innovations and new major projects across B.C. have signaled the need for specific technical expertise and skills. The Commission competes for these skills against one of the most advanced and well-paying industries.	Anticipate the effects of external labour, demographic and industry trends so employees remain focused on service delivery.
After the OGAA came into effect in 2010, the Commission began extensive work on analyzing and mapping its operational processes. This work will be completed during this fiscal year and will improve the efficiency of operations. It will also be the basis for transitioning many aspects of Commission business to a new information systems platform. This will heighten the ability to electronically collect, analyze, store and report on a multitude of data streams managed under the mandate.	Utilize accountability methods, such as the business planning process and individual performance management plans, to ensure employees' input and alignment of organizational strategy.
	Complete the Fort St. John core lab facility and office building for improved storage and handling of core samples and employee work space.
	Continue to streamline service delivery through the capital investment program aimed at core business applications integration into a single uniform platform with improved electronic submission, information management, and reporting.



STRATEGIC CONTEXT

DRIVER - REGULATORY TRENDS

POTENTIAL INFLUENCE	PLANNED ACTIONS
The Commission actively participates in and provides regulatory and technical expertise to provincial initiatives affecting natural resource development. Major provincial initiatives with potential to influence new regulations and decisions anticipated during this fiscal year include: • Integrated Decision-Making for natural resource development and management. • Cumulative Effects Assessment and Management Framework. • Modernization of the *Water Act*. • Water strategy for hydraulic fracturing. • Northeast Water Strategy. • *Natural Resource Road Act*. • Woodland Caribou Management. • Amendment of the *Petroleum and Natural Gas Act* and regulations. Through participation on provincial initiatives, the Commission identifies opportunities to strengthen its single window approach in a manner consistent with the OGAA. Under the OGAA, First Nations, landowners, and the general public can participate in decisions affecting them. These groups' interests, particularly with respect to protecting the environment, influence regulatory trends.	Review any emerging trends or changes in the regulatory environment as opportunities to optimize the single-window approach through consultations, positive relations with regulatory partners, and effective regulations. Continue to review and update processes and guidance documents linked to the OGAA and its regulations and initiate amendments to the regulations where necessary. Encourage feedback and participation from stakeholders, staff, clients, First Nations and citizens on oil and gas regulatory processes. Continue to reduce natural gas flaring using innovative solutions, practices and emission reduction technologies designed to reach BC Energy Plan goals. Publish achieved reductions in the annual flaring, incinerating, and venting report available on www.bcogc.ca.

STRATEGIC CONTEXT

DRIVER - FIRST NATIONS

POTENTIAL INFLUENCE	PLANNED ACTIONS
The Commission consults with First Nations on oil and gas activities within their traditional territories in accordance with section 35 of the *Constitution Act* and established case law. The processes by which these consultations are conducted are typically defined within consultation agreements between each First Nation and the Commission. The negotiation of these consultation agreements is led by the Ministry of Aboriginal Relations and Reconciliation (MARR), with active participation by the Commission and the Ministry of Energy, Mines and Natural Gas.	The Commission ensures the Crown's duty to consult with First Nations on oil and gas applications is met and actively supports MARR in consultation process agreement negotiations and any other related agreements.
Interface between oil and gas development and First Nations continues to increase. New drilling techniques for unconventional gas extraction and proposed new facilities and major projects highlight the need for consultation and proactively engaging First Nations throughout B.C.	Continue to consult First Nations on oil and gas project applications and with respect to area based analysis and broader resource management issues.
Historically, the Commission has developed and maintained agreements with all of the Treaty 8 First Nations. Many of the emerging major projects are requiring consultation with First Nations outside of northeastern B.C. Through this fiscal year, the Commission is developing new agreements and processes with First Nations who are unfamiliar with oil and gas activities and the role of the Commission.	Broaden the consultation to First Nation communities outside northeastern B.C., specifically along potential pipeline routes and within the areas impacted by proposed major projects. Engage partner agencies to enhance knowledge of the First Nation communities outside northeastern B.C. and to assist in coordinating consultation. Develop mutual understanding between all parties of the Commission's role in regards to regulation of the oil and gas industry and consultation with First Nations.
Consulted First Nations have indicated the potential impacts of oil and gas development on water and caribou are of increased interest.	Commission stewardship staff continue to contribute to caribou initiatives and water monitoring, metering and reporting efforts with partner ministries and agencies. See more actions under the Stewardship driver.

DRIVER - STEWARDSHIP

POTENTIAL INFLUENCE	PLANNED ACTIONS
Oil and gas development in B.C. occurs primarily in shale and tight gas formations in the Horn River, Liard, Montney Basins and the Cordova Embayment located in the northeast. Unconventional shale gas extraction uses horizontal drilling technologies from multi-well pads in these areas allowing for better coordination of access and management of surface effects.	In coordination with First Nations, producers, and other stakeholders, continue using area based analysis in the development of basin-specific environmental stewardship plans, operating protocols and value maps.
The OGAA and associated regulations increase the Commission's ability to manage the effects of oil and gas activities on the environment. Involvement of Commission employees on a variety of basin specific and subject matter teams, committees and working groups help support the work led by ministries and partner agencies to manage environmental impacts.	Improve B.C.'s resource estimates by completing assessments, in collaboration with the Ministry of Energy, Mines and Natural Gas, of the Montney Play, the Liard Basin and other significant areas.
Proposed major projects will move activity out of northeastern B.C. into areas unfamiliar with oil and gas development. See the Major Projects driver for specific actions pertaining to these projects.	Refine reserves methodology and reporting of natural gas, oil and condensate associated with unconventional regional fields, and conduct research & regulate for optimal production recovery.
Economic challenges for operations create potential scenarios where some organizations become insolvent. In addition, there is a trend of increasing inactive well sites awaiting reclamation as the industry matures. Delays in the implementation of restoration activities may increase the number of inactive sites and associated liabilities.	The Commission implements a Liability Management Rating Program to ensure operators carry the financial risk of asset retirement. Outstanding financial risk is addressed through the Orphan Site Reclamation Fund, which covers the reclamation costs at sites where no responsible operator can be found. Furthermore, the Commission actively monitors environmental liability across the province to evaluate the progress of site restoration.
There is increased public interest in potential health effects from oil and gas development, specifically from noise, traffic, dust, air quality and hydraulic fracturing. Water use in shale gas extraction continues to be of particular interest to stakeholders. The Commission has implemented a regulatory requirement for companies to disclose the ingredients, combination and concentration of chemicals in hydraulic fracturing fluids used at each well where the technique is performed.	In collaboration with the Ministry of Energy, Mines and Natural Gas, identify, evaluate and provide the geological and hydrological context for surface, subsurface and deep saline water resources in northeast B.C.
	Conduct regional, basin-scale studies directed at enhancing the understanding of the geological framework that hosts B.C.'s oil and gas resources.
	Continue contributing through multi-agency working groups to caribou management strategies.
	Continue to improve the www.fracfocus.ca registry to ensure it provides public disclosure of ingredients injected into the subsurface for natural gas development.
	Collaborate with the Ministry of Environment and others to establish an enhanced air quality monitoring capacity in northeast B.C.
	Further manage B.C.'s water resources by supporting the development of a comprehensive northeast B.C. Shale Gas Hydraulic Fracturing Water Strategy and the Northeast B.C. Water Stewardship Plan.
	Partner with universities and scientists to ensure the best research is available on matters critical to oil and gas development.

STRATEGIC OBJECTIVES, MEASURES AND INITIATIVES

The Commission's strategy management system is being successfully integrated into the organizational culture and used to document and communicate accountability at all levels. Annually, management considers changes to the operating environment resulting from government and Board direction, industry input, First Nations interests expressed through the process of renegotiating consultation process agreements, and any economic drivers that influence the operations of the Commission. Those results are brought forward to the Board of Directors for consideration and integration into organizational strategy.

The Mission, Vision and Values renewed in 2010 remain central to the organizational strategy. In order to deliver on its Mission and mandate and move closer to achieving its Vision of becoming the leading oil and gas regulator in Canada, the Commission continues to pursue regulatory and operational excellence and to create value for British Columbians. The specific strategic objectives through which the Commission will achieve the above over the service plan period are:

Specific initiatives under each objective harness work efforts in attaining the intended results. Performance measures, with targets and benchmarks, provide feedback on the success of achieving the objectives and signal necessary adjustments to strategy.

Performance measures have been either selected from numerous indicators used to track and guide business activities or designed specifically to measure the intended results of the objectives. The Commission measures both outputs and outcomes where possible, and for reporting purposes, follows the eight reporting principles published by the Office of the Auditor General of British Columbia. Data used in performance tracking and measurement comes from a number of sources, including:

- Application and compliance statistics, mainly from the Commission's IRIS and KERMIT database systems.
- Engineering information related to oil and gas operations in British Columbia.
- Human resources information, including tracking of employee turnover and development, and workforce engagement surveys.

Organizational performance is measured and reported to the Board of Directors quarterly. The Commission has a high degree of confidence in the accuracy and reliability of its data. Where possible, benchmark and baseline information is reviewed to provide context for the results achieved by the Commission. Detailed information related to the methodology of Commission performance measures is maintained and updated as necessary. The Commission continues to engage with external agencies as well as government ministries to improve the quality of data used to track and measure progress.

1. **Optimize the Single Window Regulatory Approach.**
2. **Optimize Organizational Structure to Increase Efficiency and Effectiveness of Operations.**
3. **Optimize Workforce.**
4. **Enhance Internal and External Communication.**
5. **Optimize the Commission's Expertise and Processes Pertaining to the Regulation of LNG Facilities and Associated Major Projects.**

STRATEGIC OBJECTIVE #1

OPTIMIZE THE OIL AND GAS SINGLE WINDOW APPROACH

DESCRIPTION

In a manner consistent with section 4 of the OGAA, this Objective supports a comprehensive single window approach to regulating oil and gas development, while being mindful of the organizational capacity required to support the regulatory model. This approach requires the Commission to proactively anticipate and respond to changes in the regulatory environment, technology and North American and global markets in order to establish an efficient and effective single window model that is consistent with promoting the Province's competitiveness as an oil and gas jurisdiction.

INTENDED RESULTS

a) The scope of authorizations over which the Commission has jurisdiction is optimized.
b) The transactions with government are limited to those necessary to effectively regulate oil and gas development.
c) The model is recognized by operational customers and stakeholders as effective and efficient, particularly with respect to issuance of permits and authorizations.
d) Interest by other jurisdictions is expressed in the single-window approach.
e) Commission's credibility rises with increasing expertise as a single-window regulator.

MEASURES

Measure	Actual	Forecast	Target	Target	Target
Changes to the scope of Commission mandate (expanding or contracting the single window regulatory model)	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Were changes to the scope of regulatory mandate assessed? (Yes/No)	N/A	Yes	Yes	Yes	Yes
Were changes to the scope of regulatory mandate implemented? (Yes/No)	N/A	Yes	Yes	Yes	Yes

Measure	Actual	Forecast	Target	Target	Target
Changes to the type and requirements for Commission made regulatory decisions (e.g. permits, authorizations, orders) to deliver its mandate more efficiently and effectively	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Were changes to the type and requirements for regulatory decisions assessed? (Yes/No)	Yes	Yes	Yes	Yes	Yes
Were changes to the type and requirements for regulatory decisions implemented? (Yes/No)	Yes	Yes	Yes	Yes	Yes

The Commission continues to track, monitor, analyze and take action on the interpretation of regulations or interface with other regulatory authorities. On an annual basis the Commission will measure changes to the overall scope of its regulatory framework, as well as changes implemented to improve the existing framework.

STRATEGIC OBJECTIVE #2

OPTIMIZE ORGANIZATIONAL STRUCTURE TO INCREASE EFFICIENCY AND EFFECTIVENESS OF OPERATIONS

The organizational structure supports the delivery of single-window regulatory services per the Commission's Mandate in Section 4 of the OGAA. The building blocks of the structure are core processes and the corresponding knowledge and skills of staff to sustain those processes. This objective aims to identify opportunities for increasing efficiency and effectiveness of core processes and their enabling business systems. It will also look for opportunities for staff cross training to ensure clear understanding of the processes and to provide consistency and flexibility in managing current and expected workloads and demand for services.

INTENDED RESULTS

a) Internal processes and organizational structure aligned for optimal staff efficiencies and service delivery.
b) Risks to service levels and the quality of products/decisions are mitigated through workforce adjustments in times of high turnover, high demand or lower demand.
c) Core processes and outputs as established by mandate are clearly identified and supported by resources including skilled and competent staff.
d) Clients and stakeholders receive consistent products and services and have the information they need to access and navigate the processes.
e) Timely, efficient and effective processes and services are provided to oil and gas operators and stakeholders. Increased efficiency of review processes, with better informed and reconciled decisions.

INITIATIVES

- Core Process Analysis: define and document the inventory of core processes, assess the processes against pre-established criteria and identify recommendations for optimizing processes for a more efficient and effective delivery on the Commission's mission and mandate.
- Process Review Initiative: develop business systems based on the results of the Core Process Analysis to transition Commission core business applications to a single uniform platform with electronic permitting and payment; electronic data submissions and, an electronic document and records management system.

MEASURES

Measure	Actual	Forecast	Target	Target	Target
Calendar days to process new well applications	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Baseline: 33 (2001/02) Benchmark: 30 days (Colorado Oil and Gas Conservation Commission Strategic Plan)	25	24	21	21	21

The measure relates to timeliness of processing new applications represents the average number of calendar days to process new well applications. The benchmark is a corresponding measure of the Colorado oil and gas regulator. While the re-negotiation of consultation process agreements with First Nations is ongoing, the timeline for their response has been increased, which is the reason for the 24 days target for 2013/14. The stretch target of 21 days for wells will be maintained for the remaining years until a thorough analysis is completed and communicated to stakeholders on the reasonable timelines for application processing under the OGAA requirements and at the current level of staff resources.

STRATEGIC OBJECTIVE #3

OPTIMIZE WORKFORCE

Anticipating labour, demographic and industry trends through a robust review of the regulatory framework and organizational structure allows for the development of employee skills based on current and future skill inventory and operational needs so employees have the skills and competencies necessary to deliver on mandate. Through strategic workforce planning, which includes leadership and learning development, employees have opportunities for growth and advancement that is upheld through a supportive and collaborative leadership culture.

INTENDED RESULTS

a) Employees are in the right job, with the right skills and abilities and understand their development potential to deliver on Commission mandate.
b) Value-driven, high achieving culture.
c) As an employer of choice, there is an enhanced ability to attract the right people.
d) Managed employee turnover.
e) Labour, sector and demographic trends are anticipated and responded to.

INITIATIVES

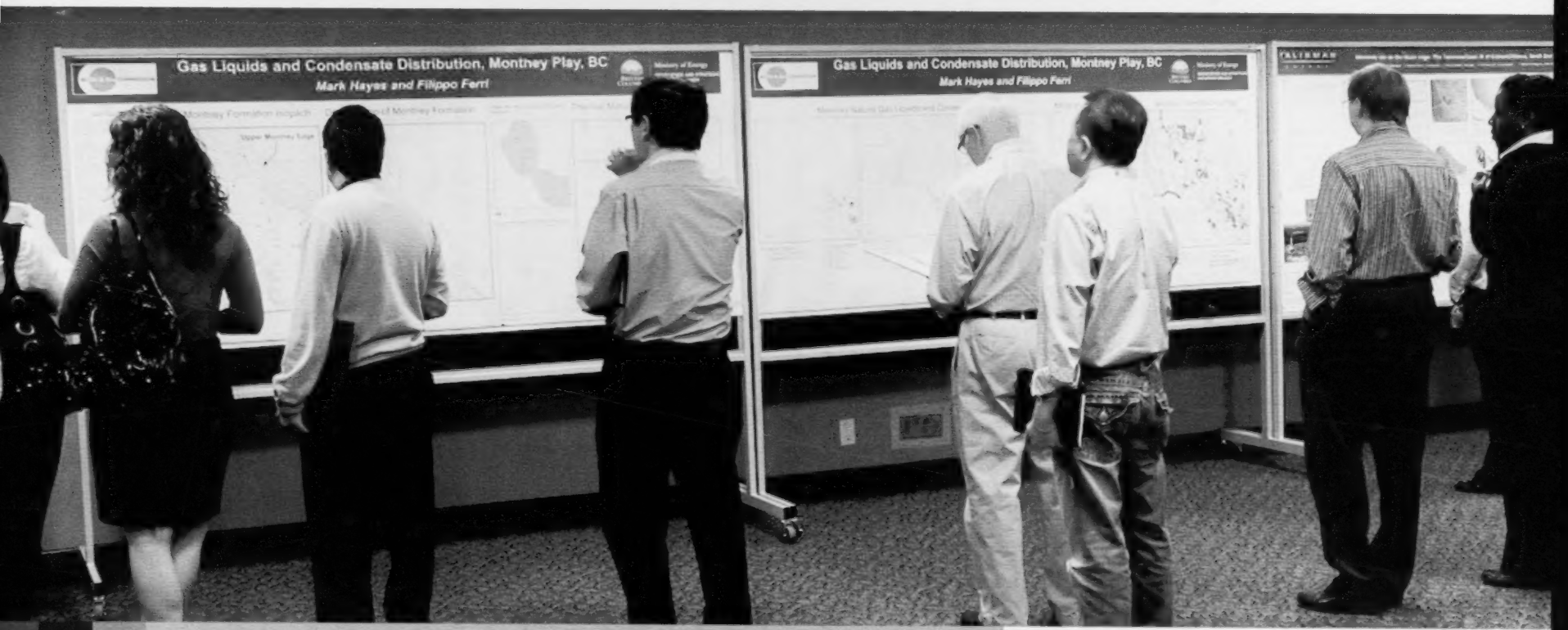
- The workforce analysis initiative includes the research, design and development of a Workforce Plan. The Workforce Plan will provide an accurate summary of the current workforce state, in addition to a thoroughly researched future workforce state based on current and predicted economic forecasts.

MEASURES

Measure	Actual	Forecast	Target	Target	Target
Voluntary Turnover Rate	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Baseline: 9.1% Benchmark: 10.6% (Alberta Energy Resources Conservation Board)	10.8%	14%	10%	10%	10%

Measure	Actual	Forecast	Target	Target	Target
Employee Engagement Level per Work Engagement Survey (WES)	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Baseline: 69 (2008/09) Benchmark: 65 BC Public Service 2011	66	69	69	70	70

Continued from the previous years' service plan, the two employee-focused measures monitor different perspectives of the concerted efforts of management, with ongoing feedback from employees, to create a healthy, productive and engaged workforce. This includes promoting the understanding and distribution of workforce demand and supply statistics, thorough analysis of Work Engagement Survey (WES) results, and the resulting development of workforce programs aligned with corporate strategy.


Gas Liquids and Condensate Distribution, Montney Play, BC
Mark Hayes and Filippo Ferri
Gas Liquids and Condensate Distribution, Montney Play, BC
Mark Hayes and Filippo Ferri

STRATEGIC OBJECTIVE #4

ENHANCE EXTERNAL AND INTERNAL COMMUNICATION

The Commission regulates on behalf of British Columbians and part of its mandate as defined in legislation is to "undertake programs of education and communication" to ensure people understand the regulatory environment the industry operates under. Developing two-way communication with various partners and stakeholders is critical, both externally and internally.

Employees represent the Commission and the province in the communication process, and leaders from all levels in the organization have a clear understanding of how to communicate both to staff and clients. Ensuring employees understand the internal communication channels and align their actions with the strategic objectives of the organization is critical. This includes making accurate information and data analysis related to operations, people, financial resources, and key performance measures consistently available through regular reports (some automated) that are accessible and relevant to the intended audiences.

INTENDED RESULTS

a) The Commission is recognized as a competent, credible and trusted regulator.
b) The Commission's role, mandate and expertise are understood by its partners, stakeholders, and the general public.
c) Employees clearly understand more about their roles, their co-workers' roles and their linkages to the Commission mandate, core business and strategic vision.
d) All employees have relevant and reliable information readily available to be efficient, productive and responsive.

INITIATIVES

- Develop frameworks for internal and external communication: a comprehensive communication plan that builds the organization's credibility with both internal and external audiences, emphasizing the need for a two-way exchange of information.
- Align employees to corporate strategy by regularly communicating and seeking input into strategic objectives and corporate performance.

MEASURES

Measure	Actual	Forecast	Target	Target	Target
Number of Peer Review Reports Published in National or International Journals	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Baseline: Commission 2012/13 Result Benchmark: TBD	N/A	2	2	2	2

Measure	Actual	Forecast	Target	Target	Target
Work Engagement Survey Result for Vision, Mission and Goals	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Baseline: 63, 2009 Commission Result Benchmark: 69, BC Public Service 2011/12	70	>70	>70	>70	>70

The Commission measures performance of communications efforts both externally and internally. To assist in ensuring the role and mandate of the Commission are understood by the B.C. public, the Commission seeks out opportunities to involve qualified individuals or institutions to maintain standards, improve performance and provide credibility through academic review and critique.

When employees feel connected to the mission, vision and goals of the organization their commitment and satisfaction with their work, and workplace increases. This measure indicates a clear compelling and consistent view of the present and future is communicated to staff.

STRATEGIC OBJECTIVE #5

OPTIMIZE THE COMMISSION'S EXPERTISE AND PROCESSES PERTAINING TO THE REGULATION OF LNG FACILITIES AND ASSOCIATED MAJOR PROJECTS

The Commission's knowledge and experience as the established and respected regulatory authority for oil and gas activities within B.C. is applied to the regulatory lifecycle of LNG facilities and associated major infrastructure projects. Commission knowledge, processes and activities are coordinated with other ministries and partner agencies, ensuring the comprehensive review and efficient processing of regulatory applications and the effective utilization of resources to assure public safety and environmental protection.

INTENDED RESULTS

a) Define and optimize processes pertaining to permitting and oversight of LNG facilities and associated major projects to provide fair and timely regulatory decisions.
b) Oversight of the design, construction, operation and maintenance of LNG facilities and associated major projects to ensure compliance with legislative requirements for public safety and environmental protection.
c) Extend the Commission's education and outreach programs throughout the province to ensure those affected by oil and gas activities understand opportunities to participate in regulatory processes.
d) Coordinate efforts with ministries and partner agencies to ensure the approach is aligned and upholds all applicable legislation and regulations.
e) Establish an acknowledged presence in the regulatory oversight of LNG facilities and major projects in the locations in which they are situated.
f) Develop recognized professional and technical expertise in the regulation of LNG facilities and associated major projects.
g) Proactively engage First Nations who may be affected by LNG facilities and associated major projects.

INITIATIVES

- Review regulatory requirements for LNG facilities and pipelines from other jurisdictions and look for opportunities to strengthen the single-window model and proactively engage in consultations with First Nations, rights holders and other stakeholders who may be affected by proposed major projects.
- Align employees to corporate strategy by regularly communicating and seeking input into strategic objectives and corporate performance.

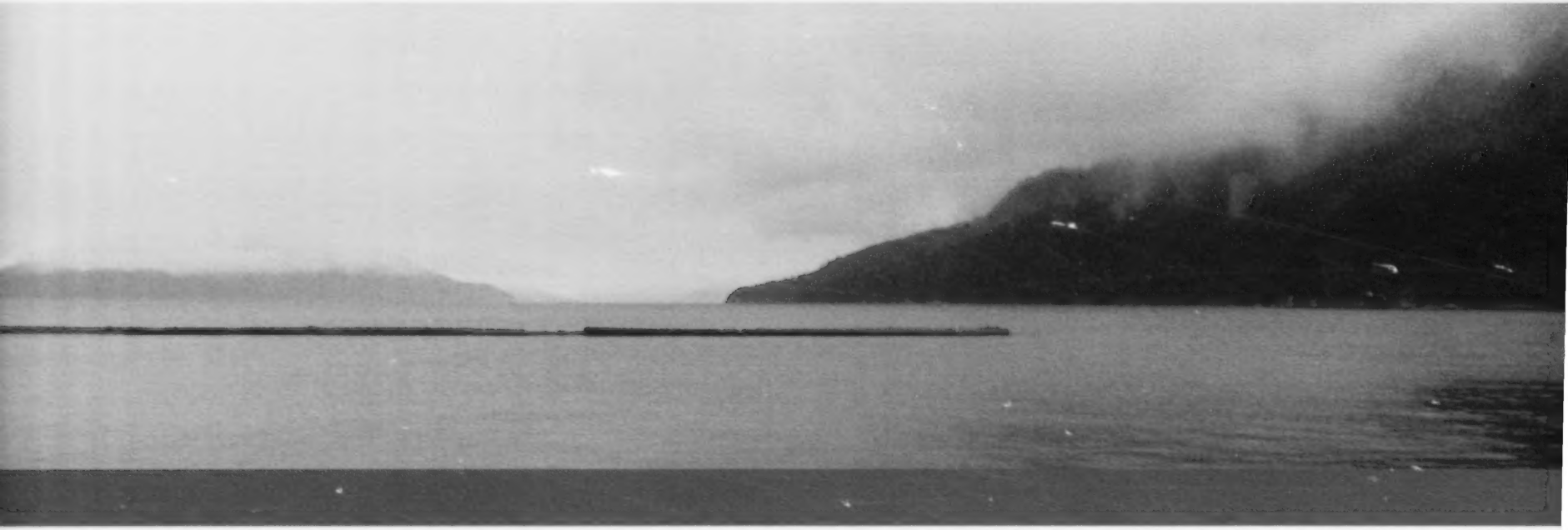
MEASURES

Measure	Actual	Forecast	Target	Target	Target
Number of Stakeholder Interests Relating to LNG Facilities and Associated Major Projects Successfully Addressed	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Baseline: TBD Benchmark: TBD	TBD	TBD	TBD	TBD	TBD

Measure	Actual	Forecast	Target	Target	Target
Number of First Nation Meetings Attended in Person by Commission	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Baseline: TBD Benchmark: TBD	TBD	TBD	TBD	TBD	TBD

The measures under this objective indicate participation of stakeholders and First Nations in activities pertaining to LNG and associated major projects with the intent of appraising Commission service levels in the new geographic areas of industry activity. As the LNG measure is new, benchmarks and targets are under consideration.

Proactively addressing quality of life issues raised by various stakeholder groups will build relationships and increase familiarity with the role of the Commission as the regulator of oil and gas activities throughout the province. Respecting oral tradition as a cultural value of British Columbian First Nations, the Commission is resolved to pursue opportunities to meet with First Nations to engage in consultations where their traditional territories may be affected by proposed LNG and major projects.



FINANCIAL OUTLOOK

Presented here is the Commission's forecast of financial position at the end of fiscal year 2012/13 and of revenues, expenses and capital spending over the Service Plan years 2013/14 to 2015/16. Key assumptions influencing the financial position of the Commission are shown and are in line with risks, uncertainties and operational influences discussed within the Strategic Context section of this plan.

The Commission revenue is determined by fees collected on oil and gas activity applications and by levies charged on production and pipelines. Fee revenues fluctuate with industry activity levels, which in turn are influenced by a combination of factors, such as demand trends, weather conditions, natural gas and oil prices and regulatory requirements. To reduce dependency on the more volatile fee revenues, the Commission's funding model is more heavily weighted towards production levies payable on a monthly basis. This model, and the ability to adjust production levies if necessary, ensures the Commission can remain financially self-sufficient and maintain adequate capacity to oversee the growing oil and gas infrastructure in the province, even during times of activity decline.

A new revenue stream will be added from fees for assessing applications for LNG facilities and associated major pipeline projects, beginning in fiscal year 2013/14. The Commission is considering several options to address the timing difference between the start of LNG-related revenues and the preceding expenses incurred for staff training and additional professional expertise needed to prepare the Commission prior to the majority of applications submitted for LNG facilities and associated pipelines.

The revenues from levies on production include the tax on production to fund the OSRF administered by the Commission and considered as part of the entity for financial statement purposes. The OSRF funds are restricted in use to reclamation of orphaned sites.

The Commission's financial position forecast at year-end of March 31, 2013 and the financial outlook for the three years of this plan is based on a downward revised forecast of the number of well applications and marketable gas production levels. Commission operations are managed within the revenue forecast, with a possible nominal surplus of $600 thousand at year-end. The likely designation, however, of additional orphaned sites will result in a $4.1 million increase in OSRF expenses to fund the remediation and reclamation of these sites in future years. As a result, a deficit of $3.5 million is forecast for 2012/13 with minimal impact on working capital for this year.

Budget projections for 2013/14 anticipate fees from oil and gas applications at $10.5 million, levies on production at $28.0 million, and pipeline levies at $2.3 million. This reflects the significant drop in oil and gas activities applications and the revised forecast for well applications and marketable gas production shown in the Key Assumptions table. To compensate for the increasing complexity of well applications due to

Consolidated Financial Results $000s	2011/12 Actual	2012/13 Budget	2012/13 Forecast	2013/14 Budget	2014/15 Forecast	2015/16 Forecast
Revenues						
Production Levies (incl. OSRF)	28,893	31,156	26,427	28,083	30,938	31,808
Pipeline Levies	2,215	2,200	2,200	2,281	2,349	2,420
Fees from Oil and Gas Applications	12,167	14,558	8,925	10,529	10,601	13,385
Miscellaneous & Recoveries	952	342	668	438	425	436
Total Revenue	**44,227**	**48,256**	**38,220**	**41,331**	**44,313**	**48,049**
Expenses						
Salaries and Benefits	18,967	21,611	19,890	21,136	22,192	23,302
Operating & First Nations Expenses	18,204	25,073	16,721	20,092	21,680	24,225
Orphan Sites Reclamation Fund (OSRF)	1,028	1,000	5,100	1,000	1,000	1,000
Total Expenses (incl. amortization)	**37,171**	**46,684**	**41,711**	**41,228**	**43,872**	**47,527**
Annual Surplus (Deficit)	**7,056**	**1,572**	**(3,491)**	**103**	**441**	**522**
Capital Expenditures	**2,530**	**3,822**	**2,811**	**4,551**	**2,513**	**1,957**

FINANCIAL OUTLOOK CONT'D

multi-well pads and increased consultation requirements, the Commission is currently seeking a 15 per cent increase in well application fees for the 2013/14 budget. This anticipated increase is reflected in the financial projections. If fee increases are not approved, the Commission will implement the necessary expenditure management measures.

The activity level forecast for the planning period is conservative. If proposed LNG projects proceed, a significant upswing in activity can be expected. The Commission's planning cycle includes a Board budget review at the start of each fiscal year.

Concerted efforts are made to avoid a deficit in any year, and the Commission carefully balances operating expenses with planned capital spending. Employee salaries and benefits constitute the largest expense. The Commission's employees come from a wide range of technical and professional backgrounds and are dispersed in different geographic areas. The salary and benefits structure for unionized employees is governed by collective agreements with the Professional Employees Association (PEA) and the B.C. Government and Service Employees' Union (BCGEU). A new two-year agreement with the BCGEU and PEA has been reached.

The Salaries and Benefits expense in 2013/14 is expected to be $20.7 million. This projection assumes increasing recruitment costs for vacancies and retention of existing employees as the Commission competes for the same technical skills and geographic distribution with one of the most advanced and well-paying industries. The projected Salary and Benefits expense also anticipates adding a few new positions required to provide critical regulatory services to LNG and associated major projects outside northeastern B.C. All other incremental full-time positions planned in the original 2012/13 budget have been postponed indefinitely while demand for regulatory services is managed through operational efficiencies. Operating expenses relate to First Nations agreements involving capacity funding, professional services, employee training and development, travel, building occupancy, telecommunications, amortization and miscellaneous.

Under the OGAA regulations, determinations made by the Commission can be subjected to a review by an official from the Commission or to an appeal before an Independent Appeal Tribunal. Any staff and professional services costs associated with reviews are expected to be absorbed by the budgeted amounts for salaries and professional services.

Accumulated annual surpluses are used to fund investment in tangible capital assets, which during 2013/14 is projected to be $4.5 million. The greater portion of the capital expenditures will go towards the development of a new information technology system aiming at consolidating all business applications to a new platform and transitioning to electronic collection, analysis and reporting of operational data. The development of the new business system has been accelerated in order to include necessary changes to accommodate and be available for the permitting of LNG facilities and

Key Assumptions for 2013/14 – 2015/16 Service Plan
New well applications are forecast at 675, 700, 700, and 1,000 annually starting in 2012/13.
Gas volumes are 35.8 x 10^9 m^3, 38.7 x 10^9 m^3 , 43.0 x 10^9 m^3 and 49.6 x 10^9 m^3 starting in 2012/13.
Oil volumes are 1.3 x 10^6 m^3, 1.3 x 10^6 m^3 , 1.3 x 10^6 m^3 , and 1.2 x 10^6 m^3 starting in 2012/13.
Salaries and benefits projections reflect cost containment measures and are subject to labour negotiations.
Inflation is estimated at three per cent per annum.
$1,000,000 is planned for site reclamation in 2013/14 under the Orphan Sites Reclamation Fund.
The Commission has made estimates with respect to consultation process agreements.

associated major projects. The overall capital spending remains the same, however due to the accelerated project timing, capital spending distribution over the years of the Service Plan period has been adjusted accordingly. Tenant improvements for the Fort St. John Core Lab Facility and office building are the other major project requiring capital spending.

The Commission's three year financial outlook presented is consistent with the financial information in the government's fiscal plan and is based on the key assumptions. The Commission has no major capital plans in excess of $50 million as defined by the Budget Transparency and Accountability Act.

Cash flow required to fund capital will be provided by operating surpluses. The Commission has zero debt and will not incur any during 2013/14.

Cash balances at the year-end 2012/13 are expected to approximate $10.7 million. Cash held by the OSRF, which is designated for orphan sites reclamation activities, is expected to increase to $6.0 million by March 31, 2013.

As a result of implementing the Liability Management Rating program, the Commission holds $13.4 million in cash and $17.6 million in Letters of Credit as security deposits from permit holders against potential liability with respect to site reclamation and abandonment. The total security deposit is projected to grow to $33.0 million over 2013/14.

The Commission continues to take government direction through the Ministry of Energy, Mines and Natural Gas. No major organizational changes are expected over the period of this Service Plan.

OTHER INFORMATION REQUIRED BY SHAREHOLDER

CONFIDENTIALITY

This report is complete and contains no confidential information.

REPORT ON SUBSIDIARIES AND BUSINESS SEGMENTS

The Commission has no subsidiaries. The Orphan Site Reclamation Fund is not a subsidiary, but is consolidated for financial statements purposes.

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